



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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Division Director

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December 28, 2006

Mr. Paul L. Glader, Manager Environmental Services
Hecla Mining Company
6500 Mineral Drive, Suite 200
Coeur D'alene, Idaho 83815-9408

Subject: Authorization of Partial Release of Reclamation Surety, Hecla Mining Company, Escalante Silver Mine, M/021/004, Iron County, Utah

Dear Mr. Glader:

The Division has received a request for partial reclamation surety release of approximately 61 acres within the permit area of Escalante Silver Mine site; file number M/021/004, located in Iron County, Utah. The Division Bond Release Findings identify specifically the areas of full release and the dollar amount associated with this reclamation surety release.

The retention of reclamation surety in the amount of \$42,756.00 is specifically for reclamation of the tailings pond access road, vegetation success on the reclaimed waste dump, weed control, and long term water monitoring. For these areas and activities, Operator reclamation liability and obligation continues according to the terms of the approved reclamation plan as amended.

A Corporate Surety in the amount of \$389,300.00 is secured and fulfills the reclamation obligation. The Division will accept a surety reduction of \$346,544.00, which may be issued in the form of a rider to existing surety bond number 81 S 100846282 BCA issued by Aetna Life & Casualty.

However, since a portion of this site is located on Bureau of Land Management (BLM), the partial release in the amount of \$346,544.00 is granted contingent on the written consent of this agency. To finalize the partial release of this site, the BLM must submit written consent to the Division. The Division is attempting to obtain this written consent, and asks that you initiate and assist in coordinating this effort as well.

Once BLM written consent has been submitted to the Division, along with a Corporate Surety rider reducing the surety amount, the Division will then amend the reclamation contract and prepare an addendum identifying the changes associated with this action.

If you have any questions or concerns regarding this surety reduction action, or any other specific questions, please contact Environmental Scientist, Mr. Doug Jensen (801) 538-5382 or Surety Coordinator, Ms. Beth Ericksen (801) 538-5318.

Sincerely,



for Susan M. White
Minerals Program Coordinator
Division of Oil, Gas and Mining

SMW:,be:pb

Enc: Division Bond Release Findings

cc: Beth Ericksen, DOGM

Doug Jensen, DOGM

Ed Ginouves, BLM, Cedar City, UT (Ed_Ginouves@blm.gov)

Opie Abeyta, BLM (opie_Abeyta@blm.gov)

SITLA, Salt Lake City, Utah

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Bond Release Findings

Tom, Lynn
agree? If so,
lets do it.

Mine Name: Escalante Silver Mine
Operator: Hecla Mining Company
Paul Glader
6500 Mineral Drive – Suite 200
Coeur D'Alene, Idaho 83815-9408

I.D. No.: M/021/004
Mineral Ownership: BLM/SITLA/Fee
Surface Ownership: BLM/SITLA/Fee
Permit Term: 1980

Disturbed Area: 68 Acres
Regraded: 65 acres

Reseeded: 65 Acres
Acres Bonded: 68 Acres
Acres Proposed for Release: 61.4

Surety

Amount: \$389,300 (\$346,544 to be released & \$42,756 retained)

Form: Surety

Renewable Term: _____

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Setting and Premining Environment

The Escalante Silver Mine is located 38 miles west of Cedar City, Utah, 3½ miles SW of Beryl Junction and 8 miles north of Enterprise, Utah. Prior to mining this area was used for occasional grazing, mining, exploration activities, and wildlife habitat. Post-mine land uses will include occasional grazing, light industrial, and exploration activities. The vein was discovered in the early 1900's and from that time to the 1960's attempts were made to bring the property into production. The mine is located in a sagebrush cover flat in the Escalante Valley. The only surface water in the area is strictly ephemeral in nature and is the result of precipitation events.

In 1998 Hecla made an application to change the post mine land use for the area around the processing facilities which encompassed 20.325 acres. The change was to change the land use of this 20.325 acres to light industrial. This area had been sold to Dixie Cable who planned to set up greenhouses at the site. This industrial use of the land was approved by the city of Enterprise and a permit was issued to Dixie Cable. The facilities left on the site include a mill building, assay office, compressor building, and an administration-maintenance-warehouse building. This post mine land use change would allow these facilities to remain as part of Dixie Cable's operation. The land sold to Dixie Cable had originally been sold to Hecla by SITLA. During the transfer of the deed to Dixie Cable it was found that the land exchange between SITLA and BLM had not resulted in clear title. It has taken until recent times for this oversight to be corrected. With that problem taken care of and the sale of the property completed, Hecla has now applied for a release of a portion of the bond that the Division presently holds on the site.

Operations

Previous to Hecla, there had been several other operators at the site. All work at the site was completed as underground operations with only minor surface disturbances associated with this work. From the early 1900's until the late 1960's only sporadic attempts had been made to mine the area. In the mid 1960's approximately 20,000 tons were mined from the area. From that time until 1978 several mining companies only studied the property. In 1979, Ranchers Exploration initiated a test of a new mining method (vertical crater retreat) and implemented a pumping test in an attempt to dewater the mine. In anticipation of a successful pilot mining operation, detailed engineering on a mill and ancillary facilities was completed with a start-up of no later than the fall of 1981. Facilities at the site included a mill building, assay lab, shop/office, ancillary buildings, an adit and a 65 acre tailings pond. Prior to the initiation of pumping of the mine a 14 mile dewatering canal, (30' wide X 6' deep) which drained into Shoal Creek was constructed. Soil was harvested from areas to be disturbed at the site.

Hole Plugging

All holes drilled at the site were plugged following Division rules.

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Reclamation

The final closure of the 65-acre tailings pond consisted of recontouring the area in a manner that it would not impound water. Any run-off water from the area of the tailings was directed to an impoundment run-off ditch. The existing underdrain system was left operable until the tailings are drained. Leachate from the underdrain was routed to the tanks at the mill where it was evaporated.

The tailings was capped with 6" of compacted clay, 14" of subsoil, 4" of soil, and seeded. A total area of 31 acres was disturbed to create borrow pits to supply the subsoil and clay for this closure effort. An estimate of 87,389 CY of capping material, 157,300 CY of subsoil, and 52,433 CY of soil was used to complete the closure.

Soil was stripped from the borrow areas before the subsoil and clay were removed. After the material needed to cap the tailings was removed, the soil was replaced and the areas seeded. Topsoil removed from the tailings area prior to the construction of the pond was placed over the capped tailings area.

Ground monitoring wells and the fence around the tailings area were allowed to remain until Division of Water Quality released the area.

Mine Engineering

x made correction in file

All mine openings at the site have been sealed. There are no other structures or facilities remaining on site that would pose any threat to public safety. All hazardous and deleterious materials were removed from the site prior to the sale of the land and buildings.

No highwalls created during the operation of this mine. A 5 acre waste dump has been regraded to a 3:1 slope, soiled and seeded, this is the only dump created during the operation of this mine.

Hydrology

Water from stormwater events are directed around the site and into the natural channel below. Storm events occurring in the basin above the tailings will be diverted via the existing basin interceptor channel and newly constructed impoundment runoff ditch constructed on both sides of the tailings. The runoff conveyances have been designed for the 100-yr 6-hr flood event.

The tailings impoundment will continue to have a water monitoring requirement until the year 2010.

There are no dams or impoundments remaining at the site.

There is no evidence of erosion on the site.

One mining related road, impacting an area of ~1.6 acres, will remain at the site until the water monitoring requirement for the tailings pond has been satisfied.

Revegetation

Postmining land use of the mill building and maintenance shop will be light industrial. Hecla has sold the fee land including all the buildings to Dixie Cable. A copy of the deed transfer for this area was submitted to the Division and is attached to this document. The land use of the BLM portion of the site will be occasional grazing, mining, exploration activities, and wildlife habitat. The entire site with the exception of the buildings area has been seeded and vegetation at the site has met the Division standards (see attached inspection report). With the exception of the

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vegetation on a recontoured 5 acre waste dump and a 1.6 acre road, which will remain until water monitoring requirements have been met.

The site presently has a spotted knapweed problem with a small area of the site. The problem is being controlled by an annual weed eradication effort. This weed problem is mainly located on the BLM portion of the site. The BLM have been making annual inspections of the site to assess any weed growth. Hecla has implemented an annual program of spraying the weed. A portion of the bond will be retained for this spraying program until the knapweed on site has been eradicated.

The vegetation at the site, with the exception of the 5 acre waste dump area have survived in excess of three years. Release of this site has been delayed due to a problem with a land exchange between the BLM and SITLA which involved the fee portion of the mine. This resulted in a delay in the Division approving the post mine land use of the fee land and buildings on the site. This problem has been resolved and the land has been sold. The county has approved the post mining land use of light industrial of the area.

Recommendation

The Division recommends the release of \$346,544 of the \$389,300 bond that the Division presently holds. The site has been reclaimed for more than 10 years, a total of \$563,200 was release in 1994 in conjunction with work completed prior to that date. The remaining amount (\$42,756) will be retained for the reclamation of the tailings pond access road, weed control, vegetation success on the reclaimed waste dump, and long term water monitoring.


Inspector

November 22, 2006
Date